

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

TEXAS STANDARD OIL . CIVIL ACTION NUMBER:
COMPANY . 3:05-CV-00490
VERSUS . HOUSTON, TEXAS
FOREST OIL CORPORATION, . FEBRUARY 13, 2008
ET AL . 10:00 A.M.
. DAY 3 OF 7
.

TRANSCRIPT OF TRIAL
BEFORE THE HONORABLE DAVID HITTNER
UNITED STATES DISTRICT JUDGE
AND A JURY

A P P E A R A N C E S:

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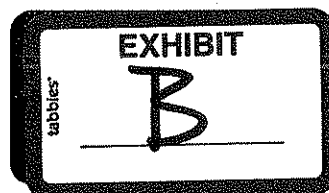
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09:51

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11:04 1 the joint owners?

2 A. These are estimates that were done before anything was

3 actually done on the P and A. P and A did not take place until

4 the beginning of August. Where they are in the process today,

11:04 5 I don't know. I don't know how far they have gotten.

6 Q. Isn't it opposite? Isn't the AFE the estimate and the

7 amount on the JIB the actual amount billed?

8 A. Well, these all say "AFE." They were billing us for

9 estimated costs in advance of doing the work.

11:04 10 Q. But the way the AFE process works, just so it is clear to

11 the ladies and gentlemen of the jury, that's an authorization

12 for expense, correct?

13 A. That's what AFE stands for, authorization for expenditure.

14 Q. Right. And what they are trying to do is estimate for the

11:04 15 joint owners what it is going to cost to do whatever it is they

16 are going to do, in this situation P and A some wells, right?

17 A. Right. But it is not due and payable until you actually do

18 the work.

19 Q. But my point is that the AFE is just an estimate. The cost

11:05 20 usually is either less than that or more than that. It is just

21 trying to get a ballpark figure for all the joint owners,

22 correct?

23 A. Correct.

24 Q. And under the operating agreements -- and I'm going to tell

11:05 25 you this, I'm going to say this kind of -- in kind of just very

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11:05 1 general terms, but you can never get away from your P and A
2 liability in the oil and gas industry, can you? Everybody gets
3 stuck with their P and A liability to the extent that they are
4 still an owner, right?

11:05 5 A. To the extent they are still an owner, yes.

6 Q. And that JIB right there for the 189 -- there are some
7 other associated costs on here. That JIB of which there is a
8 total of \$196,925.64 of which the bulk of it is P and A
9 liability, correct?

11:05 10 A. Yes. The bulk of that would have been P and A liability,
11 all but \$7,000.

12 Q. I'm sorry. Were you still looking at it?

13 A. No.

14 Q. Texas Standard -- are you complaining that there is
11:06 15 something wrong with the plug and abandonment charges?

16 A. Certainly. I would say that this bill is not due and
17 payable at this time.

18 Q. But do you have any specific complaint to the plug and
19 abandonment charges that took place under the operating
11:06 20 agreement?

21 A. I don't have any specific complaint today, no.

22 Q. And these charges have not been paid as part of the JIBs
23 that have not been paid by TXSO, correct?

24 A. I don't think so. I think they actually reversed those
11:06 25 charges at a later date.

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